Michigan Department of Treasury 496 (02/06) Auditing Procedures Report

ssue	unde	r P.A.	2 of 1968, as	amended and	P.A. 71 of 1919,	as amended	•						
Local Unit of Government Type							Local Unit Na	me		County			
□County □City ☑Twp □Village			□Other	LaGrange	Township		Cass						
	al Yea				Opinion Date			Date Audit Report Submitted	to State				
6-3	30-20	006			8-29-2006			11-3-2006					
We affirm that:													
We a	Ve are certified public accountants licensed to practice in Michigan.												
We f	Ve further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the												
Management Letter (report of comments and recommendations).													
	ଓ ଓ Check each applicable box below. (See instructions for further detail.)												
1.	\boxtimes			All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.									
2.	X		There are	no accum	ulated deficits	in one or	more of this	unit's unreserved fund balar budget for expenditures.	nces/unres	stricted net assets			
3.	×		•	•				Accounts issued by the Dep	partment of	Treasury.			
4.	X				dopted a budge			•		,			
5.	×		A public h	earing on	the budget wa	s held in a	accordance w	vith State statute.					
6.	×		The local	unit has n	•	Municipal	Finance Act	, an order issued under the	Emergenc	y Municipal Loan Act, or			
7.	×		•		•			revenues that were collecte	d for anoth	er taxing unit.			
8.	X		The local	unit only h	olds deposits/i	nvestmen	its that compl	ly with statutory requiremen	ıts.				
9.	×							that came to our attention sed (see Appendix H of Bull		in the Bulletin for			
10.	X		that have	not been p	reviously com	municated	d to the Local	ement, which came to our a I Audit and Finance Divisior t under separate cover.	ittention du n (LAFD). I	ring the course of our audit f there is such activity that has			
11.	×		The local	unit is free	of repeated co	omments	from previous	s years.					
12.	×		The audit	opinion is	UNQUALIFIEI	D.							
13.	X				omplied with G principles (G		r GASB 34 a	s modified by MCGAA State	ement #7 a	and other generally			
14.	X		The board	or counci	l approves all i	invoices p	rior to payme	ent as required by charter or	r statute.				
15.	X		To our kno	owledge, b	ank reconcilia	tions that	were reviewe	ed were performed timely.					
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission. I, the undersigned, certify that this statement is complete and accurate in all respects.													
			losed the	<u> </u>		Enclosed		ed (enter a brief justification)					
			tements			\boxtimes							
The letter of Comments and Recommendations					mmendations	\boxtimes							
Other (Describe)													
			ccountant (Fin ne, Lutz ai		LP			Telephone Number 734-453-8770					
	t Addı					.,		City	1	Zip			
			Ann Arboi	r Irail		· 1 = .		Plymouth	MI	48170			
						1	inted Name Pavid R. Will	rid R. Williamson License Number 1101012382					

LAGRANGE TOWNSHIP Cass County, Michigan

AUDITED FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2006

LAGRANGE TOWNSHIP For the Year Ended June 30, 2006

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FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL LLP

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Independent Auditor's Report
August 29, 2006

To the Board of Trustees LaGrange Township Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaGrange Township, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of LaGrange Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of LaGrange Township as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees LaGrange Township

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaGrange Township's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

POST, SMYTHE, LUTZ and ZIEL LLP Certified Public Accountants

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Management's Discussion and Analysis

As management of LaGrange Township, we offer readers of LaGrange Township's financial statements this narrative overview and analysis of the financial activities of LaGrange Township for the fiscal year ended June 30, 2006.

Financial Highlights

- The assets of LaGrange Township exceeded its liabilities at the close of the most recent fiscal year by \$869,346 (*net assets*). Of this amount, \$581,139 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, LaGrange Township's governmental funds reported combined ending fund balances of \$653,155, an increase of \$94,409 in comparison with the prior year. Approximately 89% of this total amount, \$581,139 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$326,278, or 152 percent of total general fund expenditures.
- LaGrange Township's total non-current liabilities decreased by \$64,881 (17 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to LaGrange Township's basic financial statements. LaGrange Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of LaGrange Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of LaGrange Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of LaGrange Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of LaGrange Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of LaGrange Township include general government, public safety, public works and other activities. The Township has no business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LaGrange Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of LaGrange Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

LaGrange Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development, Emergency Services, and C.A.U.A. Special Assessment Debt Service Funds which are considered to be major funds.

LaGrange Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support LaGrange Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14 and 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of LaGrange Township, assets exceeded liabilities by \$869,346 at the close of the most recent fiscal year.

	Governmental							
	2006	2005						
Current and Other Assets	\$ 932,265	\$ 896,382						
Capital Assets	546,606	603,362						
Total Assets	1,478,871	1,499,744						
Long-term Liabilities	330,415	395,296						
Other Liabilities	279,110	337,636						
Total Liabilities	609,525	732,932						
Net Assets:								
Invested in Capital Assets								
net of related debt	216,191	208,066						
Restricted	72,016	71,099						
Unrestricted	581,139	487,647						
Total Net Assets	\$ 869,346	\$ 766,812						

A significant portion of LaGrange Township's net assets (25 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. LaGrange Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although LaGrange Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of LaGrange Township's net assets (8.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining, and largest portion of *unrestricted net assets* (\$581,139) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, LaGrange Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$102,534 during the current fiscal year as shown in the table below.

		Governmental					
	Activities						
		2006			2005		
Program Revenues:							
Charges for Services	\$	119,072		\$	113,023		
Operating Grants & Contributions		2,952			47,746		
General Revenues:							
Property Taxes		218,776			220,034		
State Shared Revenues		109,436			106,685		
Unrestricted Investment Earnings		22,132			10,725		
Total Revenues		472,368			498,213		
			-				
Program Expenses							
General Government		145,088			137,092		
Public Safety		96,851			127,935		
Public Works		109,084			105,581		
Other		11,554			14,308		
Interest on Long-Term Debt		7,257			11,407		
Total Expenses		369,834			396,323		
Change in Net Assets	\$	102,534		\$	101,890		

Governmental activities. Governmental activities increased LaGrange Township's net assets by \$102,534 due to the fact that revenues exceeded expenses for current activities, and no unusual or non-recurring costs were incurred.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

As noted earlier, LaGrange Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of LaGrange Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing LaGrange Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, LaGrange Township's governmental funds reported combined ending fund balances of \$653,155, an increase of \$94,409 in comparison with the prior year. Approximately 89% of this total amount (\$581,139) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$72,016).

The general fund is the chief operating fund of LaGrange Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$326,278. Unreserved fund balance represents 152 percent of total general fund expenditures.

The fund balance of LaGrange Township's general fund increased by \$29,350 during the current fiscal year, as revenues exceed operating expenses and there were no significant capital expenditures.

General Fund Budgetary Highlights

Differences between the original expenditure budget and the final amended expenditure budget were \$2,154, and represented minor changes to the original spending plan.

Capital Asset and Debt Administration

Capital assets. LaGrange Township's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$546,606 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Details to the Township's capital assets are continued in the notes to the financial statements on page 25.

Long-term debt. At the end of the current fiscal year, LaGrange Township had total long term debt outstanding of \$330,415, all of which comprises debt backed by the full faith and credit of the government. Additional information on LaGrange Township's long-term debt can be found in Note IV.D. on pages 26.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2007 fiscal year. LaGrange Township budgeted for a decrease in state shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. LaGrange Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. These factors were considered in preparing LaGrange Township's budget for the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of LaGrange Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the LaGrange Township Supervisor.

BASIC FINANCIAL STATEMENTS

LAGRANGE TOWNSHIP Statement of Net Assets June 30, 2006

		Governmental Activities
<u>ASSETS</u>	-	
Cash and Cash Equivalents	\$	615,665
Receivables (net of allowance for uncollectibles):		
Special Assessments		240,601
Due from Other Governmental Units		18,124
Prepaid Expenditures		57,875
Capital Assets (Net of Accumulated Depreciation)	_	546,606
Total Assets		1,478,871
LIABILITIES		
Accounts Payable		38,384
Accrued Liabilities		125
Deferred Revenue		240,601
Noncurrent Liabilities:		00,000
Due within one year		66,083
Due in more than one year Total Liabilities	-	264,332
Total Liabilities	-	609,525
NET ASSETS		
Invested in Capital Assets, net of related debt		216,191
Restricted for:		
Debt Service		72,016
Unrestricted	-	581,139
Total Net Assets	\$ _	869,346

LAGRANGE TOWNSHIP Statement of Activities For the Year Ended June 30, 2006

				Prog	Net (Expense) Revenue and Changes in		
		Expenses		Charges for Services		Operating Grants and Contributions	Net Assets Governmental Activities
Functions/Programs	•		_				
Primary Government:							
Governmental Activities:							
General Government	\$	145,088	\$	43,340	\$	- \$, , ,
Public Safety		96,851		4,150		-	(92,701)
Public Works		109,084		71,582		2,952	(34,550)
Other		11,554		-		-	(11,554)
Interest on Long-Term Debt		7,257	_			-	(7,257)
Total Governmental Activities	-	369,834	=	119,072		2,952	(247,810)
				General Reven	iues:		
				Property Tax	es		218,776
				State Shared	Rev	venue	109,436
				Unrestricted	Inve	stment Earnings	22,132
			Total General Revenues and Transfer				350,344
				Change in Net	Asse	ets	102,534
				Net Assets - Be	eginr	ning	766,812
				Net Assets - Er	nding	3	869,346

LAGRANGE TOWNSHIP Balance Sheet Governmental Funds June 30, 2006

ASSETS		General	-	Community Development Spec. Revenue	Emergency Services Spec. Revenue		C.A.U.A. Special Assess. Debt Service	Total Governmental Funds
Cash and Cash Equivalents Receivables (net of allowance	\$	483,167	\$	60,934	\$ -	\$	71,564	\$ 615,665
for uncollectibles): Special Assessments Due from Other Funds Due from Other Governmental Units		- - 18,124		- -	- 172,129 -		240,601 452 -	240,601 172,581 18,124
Prepaid Expenditures Total Assets	\$	501,755	\$	60,934	\$ 57,411 229,540	\$	312,617	\$ 57,875 1,104,846
LIABILITIES AND FUND BALANCE								<u> </u>
Liabilities: Accounts Payable Due to Other Funds Accrued and Other liabilities Deferred Revenue	\$	2,771 172,581 125 -	\$		\$ 35,613 - - -	\$	- - - 240,601	\$ 38,384 172,581 125 240,601
Total Liabilities Fund Balances: Reserved for:		175,477	-		35,613		240,601	451,691
Debt Service Unreserved for:		-		-	-		72,016	72,016
General Fund Special Revenue Funds Total Fund Balances		326,278 - 326,278	-	60,934 60,934	193,927 193,927		72,016	326,278 254,861 653,155
Total Liabilities and Fund Balances	\$	501,755	\$	60,934	\$ 229,540	\$	312,617	
	are different bed	cause:		tivities in the stater	nt of net assets	nd		
	therefore, ar	e not reported in t	he f	unds.				546,606
				ot reported in the f	e and payable in th ds.	ne		(330,415)
	Net Assets of	Governmental Ac	tiviti	ies				\$ 869,346

LAGRANGE TOWNSHIP

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds For the Year Ended June 30, 2006

		General		Community Development Spec. Revenue	Emergency Services Spec. Revenue		C.A.U.A. Special Assess. Debt Service	-	Total Governmental Funds
Revenues	_		_			_		_	
Property Taxes	\$	70,511	\$	-	\$ 148,265	\$		\$	218,776
Special Assessments		-		-	-		71,582		71,582
Intergovernmental:		440.000							
Federal, State and Local		112,388		-	-		=		112,388
Charges for Services		29,637		-	-		- 		29,637
Interest		14,519		2,140	4,000		1,473		22,132
Other	_	17,853							17,853
Total Revenues	_	244,908		2,140	152,265		73,055		472,368
Expenditures Current:									
General Government		143,601							143,601
Public Safety		6.588		-	90,263		_		96,851
Public Works		53,815		_	30,203				53,815
Debt Service:		33,013							55,015
Principal Principal		_		_	_		64,881		64,881
Interest and Other Charges		_		_	_		7,257		7,257
Other		11,554		_	_		7,237		11,554
Total Expenditures	_	215,558		-	90,263		72,138		377,959
Excess (Deficiency) of Revenues									
Over Expenditures		29,350		2,140	62,002		917		94,409
Fund Balances - Beginning	_	296,928		58,794	131,925		71,099	ē	558,746
Fund Balances - Ending	\$ _	326,278	\$	60,934	\$ 193,927	\$	72,016	\$	653,155

LAGRANGE TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 94,409

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. (56,756)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental

resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

64,881

Change in net assets in governmental activities

102,534

LAGRANGE TOWNSHIP Statement of Net Assets Fiduciary Funds June 30, 2006

<u>ASSETS</u>	Officials Retirement Plan	-	Agency Funds
Cash Investments, at Fair Value	\$ - 299,789	\$	3,942
Total Assets	299,789		3,942
<u>LIABILITIES</u>			
Due to Other	-	_	3,942
Net Assets Held in Trust	\$ 299,789	\$_	

LAGRANGE TOWNSHIP

Statement of Changes in Net Assets

For the Year Ended June 30, 2006

<u>ADDITIONS</u>	Officials Retirement Plan
Investment Income:	
Earnings on Investments	\$ 16,543
Contributions:	
Employer	6,675
Employee	2,306
Total Additions	25,524
Net Increase (Decrease)	25,524
Net Assets Held in Trust July 1	274,265
June 30	\$ 299,789

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

LaGrange Township operates under a Board of Trustees form of government and provides the following services as permitted by law: public safety (fire), cultural and recreation, public improvements, planning and zoning, and general administrative services.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of LaGrange Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, the following organization is excluded from the accompanying financial statements for the reasons stated.

Cassopolis Area Utilities Authority

- * Financed through special assessment districts in each township.
- * LaGrange Township has no direct managerial control.
- * Budgets are approved by the Authority Board.

The Cassopolis Area Utility Authority was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended by the Village of Cassopolis, and the Townships of Calvin, Jefferson, LaGrange and Penn, all of the County of Cass, Michigan.

The expressed purpose of the Authority is to acquire, construct, purchase, finance, own, improve, enlarge, operate, maintain, administer and manage sewage disposal systems and water supply systems in accordance with Act 233, Public Acts of Michigan, 1955, as amended.

LaGrange Township will be responsible for 24.03% of the Authority's annual debt service, which will be financed by special assessments on the benefiting property owners.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic* resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial* resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

LAGRANGE TOWNSHIP Notes to Financial Statements June 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Special Revenue Fund-established to account for grant revenue, program income, and expenditures of the Community Development Block Grant Small Cities Program.

Emergency Services Special Revenue Fund-used to account for the collection of the specific voter approved tax levies for fire fighting and ambulance services.

Cassopolis Area Utilities Authority Sewer Special Assessment Debt Service Fundestablished to account for the special assessment collection and debt service payments on the Township's share of the sewer project debt.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary Funds include the following fund types:

Pension Trust Fund-accounts for the activities of the Officials Retirement Plan, which accumulates resources for the pension benefits payments to elected officials.

The agency funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans).

3. Capital Assets

Capital assets, (which include property, plant, equipment, and infrastructure), are reported in the governmental columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Assets, Liabilities and Net Assets or Equity - Continued

3. Capital Assets - Continued

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund* balance - total governmental funds and net assets - governmental activities as

- II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS Continued
 - A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets - Continued

reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$330,415 difference is as follows:

Contract Debt (Special Assessment) \$ 330,415

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(56,756) difference is as follows:

Capital Outlay Expense	\$ 2,481
Depreciation Expense	 (59,237)
	\$ <u>(56,756</u>)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$64,881 difference are as follows:

Principal Repayments \$ 64,881

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- 1. Budgets must be adopted for the General and Special Revenue Funds.
- 2. Budgets must be balanced.
- 3. Budgets must be amended as necessary.
- 4. Public hearings must be held prior to adoption.
- 5. Expenditures cannot exceed budget appropriations.
- 6. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

- 1. In accordance with State law, prior to June 30, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the department level.
- 2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- 3. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
- 4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- 5. Budget appropriations lapse at year end.
- 6. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- 7. Budgeted amounts are reported as originally adopted, or as amended by the Township Board.

LAGRANGE TOWNSHIP Notes to Financial Statements June 30, 2006

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

- B. Compliance with P.A. 621 of 1978
 - 1. Deficit Fund Balance

The Township had no accumulated deficits at June 30, 2006.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. The township has no expenditures in excess of budget appropriations.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the Township's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of June 30, 2006, the Township's book balance of its deposits was 619,507; the total book value was \$619,607 due to \$100 in cash on hand. The bank balance was \$615,781 which was exposed to custodial credit risk, as follows:

Dool

		Dalik
	B	<u>alance</u>
Insured by F.D.I.C.	\$	110,977
Uninsured and Uncollateralized		504,804
Total	\$	615,781

A reconciliation of cash to the accompanying financial statements follows:

 Statement of Net Assets:
 \$ 615,665

 Cash and Cash Equivalents
 \$ 615,665

 Fiduciary Fund:
 3,942

 Total
 \$ 619,607

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating

IV. DETAILED NOTES ON ALL FUNDS - Continued

A. Deposits and Investments - Continued

organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

		Weighted Average
	<u>Fair Value</u>	<u>Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 506,404	Demand
Certificates of Deposit	\$ 109,377	163 Days

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments and certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

The Township also maintains a deferred contribution pension plan, (see note V. A.), for the elected officials. The plan investments conform to state law requirements (P.A. 55 of 1982 as amended and P.A. 252 of 1988), and consist solely of retirement annuities purchased through John Hancock Financial Services:

			Average	Weighted
	Fair		Credit Quality	Average Days
<u>Type</u>	<u>Value</u>	Cost	Ratings	to Maturity
Pool Investments	\$ 299,789	\$ 299,789	N/A	N/A

LAGRANGE TOWNSHIP Notes to Financial Statements June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Activities:	_	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not depreciate	ed:				
Land	\$	10,113 \$	\$	- \$ _	10,113
Capital Assets, being depreci	ate	ed:			
Building and Improvements		46,701	-	-	46,701
Machinery and Equipment		41,992	2,481	-	44,473
Infrastructure		1,381,725	-	-	1,381,725
		1,470,418	2,481	-	1,472,899
Less: Accumulated Depreciat	ion	:			
Building and Improvements		(41,076)	(417)	-	(41,493)
Machinery and Equipment		(34,693)	(3,551)	-	(38,244)
Infrastructure		(801,400)	(55,269)	<u>-</u>	(856,669)
		(877,169)	(59,237)	-	(936,406)
Governmental Activities					
Capital Assets, net	\$	603,362 \$	(56,756) \$	\$_	546,606

Depreciated expense was charged to functions of the Township as follows:

General Government	\$ 3,968
Public Works	55,269
	\$ 59,237

C. Interfund Receivables and Payables

Receivable Fund	<u>Payable Fund</u>	<u>Amount</u>
C.A.U.C.A. Special Assessment Debt Service Fund	General Fund	\$ 452
Emergency Service Fund	General Fund	172,129
Total		<u>\$172,581</u>

Activity represents uncleared transactions at year end.

LAGRANGE TOWNSHIP Notes to Financial Statements June 30, 2006

IV. DETAILED NOTES ON ALL FUNDS - Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended June 30, 2006:

	Balance					Balance		Balance
	July 1, 2005	-	Additions	Reductions	_	June 30, 2006	_	Within 1 Year
Gov. Activities:								
Special Assessment								
Contract Debt-CAUA	\$ 395,296	\$		\$ 64,881	\$	330,415	\$	66,083

The following is a summary of general obligation debt outstanding of the Township as of June 30, 2006:

	Number of	Interest	Maturing	Principal
	Issues	Rate	Through	Outstanding
Governmental Activities:				
Special Assessment	2	2.00%-7.4%	2010	\$ 330,415

The annual debt service requirements to maturity for debt outstanding as of June 30:

Year Ended	 Principal	-	Interest
2007	\$ 66,083	\$	5,947
2008	66,083		4,625
2009	66,083		3,304
2010	66,083		1,983
2011	 66,083	-	661
	\$ 330,415	\$	16,520

IV. DETAILED NOTES ON ALL FUNDS - Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2006, is presented below:

			Special		Debt
	 General	_	Revenue	_	Service
<u>Fund Balance</u>					
Reserved For:					
Debt Service	\$ -	\$	-	\$	72,016
Unreserved:					
Undesignated	 326,278		254,861		-
Total Fund Balance	\$ 326,278	\$	254,861	\$	72,016

F. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on December 1 of the following year. The Township collects its own property taxes along with the County and school taxes and accounts for the collection and subsequent distribution in the Tax Collection Fund. Township property taxes are recognized in the subsequent year as revenue in accordance with the guidelines of the State of Michigan.

The Township tax levy for the 2005 roll was:

<u>Purpose</u>	<u>Rate</u>
General Township	0.9120
Emergency Services	1.9326

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans-Elected Officials Retirement Plan

1. Plan Description

LaGrange Township group pension plan is a single employer P.E.R.S. that administers the Township's defined contribution pension plan for its elected officials. The Township is the only non-employee contributor to the plan. Only elected officials are eligible for the plan. As of June 30, 2006 the plan's membership was 5 officials.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan was established by Township ordinance, which may be amended by amendment of the ordinance. As established by Township policy, all elected officials are eligible for the plan on the date of commencement of their employment (following election) and officials may waive participation upon written notification. Participant and employer contributions vest immediately as provided by the plan. **Employer** contributions are based on the officials' gross earnings in accordance with a contribution table included in the plan. Mandatory employee contributions are made on an after-tax basis at an amount equal to one third of the employer contribution. During fiscal year 2006, the following Plan contributions were made:

Employer	\$ 6,675
Employee	2,306
Total	\$ 8,981

The total plan expense including fees was \$10,646.

V. OTHER INFORMATION - Continued

- A. Employee Retirement Systems and Plans-Elected Officials Retirement Plan Continued
 - 2. Summary of Significant Accounting Policies and Plan Asset Matters

The Township's elected officials pension plan financial statements are prepared on the accrual basis of accounting. Contributions from the Township and the Township employees are recognized as revenue in the period in which employees provide services to the Township. Investment income is recognized as earned by the pension plan. Investments in securities are valued at fair value.

All funds are invested in retirement annuities through the John Hancock Financial Services Retirement Plan sponsored by the Michigan Township Association.

There are no investments in, loans to, or leases with parties related to the pension plan.

B. Risk Management

LaGrange Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

LAGRANGE TOWNSHIP

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended June 30, 2006

		Budgeted Amounts						Variance with	
		Original		Final	_	Actual		Final Budget	
Revenues:									
Property Taxes	\$	72,012	\$	72,012	\$	70,511	\$	(1,501)	
Intergovernmental - State		113,436		113,436		112,388		(1,048)	
Charges for Services		23,805		23,805		29,637		5,832	
Interest Earnings		5,900		5,900		14,519		8,619	
Other Revenues	_	11,800		11,800	_	17,853		6,053	
Total Revenues	_	226,953		226,953	_	244,908		17,955	
Expenditures:									
General Government:									
Township Board		36,128		36,128		35,069		1,059	
Supervisor		20,916		20,916		16,651		4,265	
Elections		13,350		10,550		6,400		4,150	
Assessor		42,485		42,485		41,922		563	
Clerk		17,600		17,600		16,317		1,283	
Board of Review		2,500		2,500		1,446		1,054	
Deputy Clerk		4,500		4,500		900		3,600	
Board of Appeals		1,650		1,650		592		1,058	
Treasurer		22,400		22,400		19,530		2,870	
Building and Grounds		3,000		3,000		1,480		1,520	
Cemetery		4,000		4,000		3,294		706	
Total General Government	_	168,529		165,729	_	143,601		22,128	
Public Safety:									
Planning		4,250		4,250		1,736		2,514	
Zoning		6,500		6,500		4,852		1,648	
S	_	10,750		10,750	_	6,588		4,162	
Public Works:									
Roads and Street Lighting	_	65,384		65,384	_	53,815		11,569	
Other	_	11,200		11,846	_	11,554		292	
Total Expenditures	_	255,863		253,709	_	215,558		38,151	
Excess (Deficiency) of Revenues Over Expenditures		(28,910)		(26,756)		29,350		56,106	
Fund Balance - Beginning	_	296,928		296,928	_	296,928			
Fund Balance - Ending	\$_	268,018	\$	270,172	\$ _	326,278	\$	56,106	

LAGRANGE TOWNSHIP

Community Development Fund

Statement of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual For the Year Ended June 30, 2006

		Budgeted Amounts					Variance
	_	Original Budget	_	Final Budget	_	Actual	 with Final Budget
Revenues- Interest Income	\$	-	\$	-	\$	2,140	\$ 2,140
Expenditures	_		-	-	_	-	 <u>-</u>
Excess (Deficiency) of Revenues Over Expenditures		-		-		2,140	2,140
Fund Balance - July 1	_	58,794	-	58,794	_	58,794	 <u>-</u>
Fund Balance - June 30	\$ _	58,794	\$	58,794	\$_	60,934	\$ 2,140

LAGRANGE TOWNSHIP Emergency Services Fund

Statement of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual For the Year Ended June 30, 2006

		Budgeted	nounts			Variance		
	_	Original Budget		Final Budget		Actual	_	with Final Budget
Revenues:	<u> </u>							
Property Taxes	\$	145,000	\$	145,000	\$	148,265	\$	3,265
Interest Income	_			-	. <u> </u>	4,000		4,000
Total Revenues		145,000		145,000		152,265		7,265
Expenditures-Public Safety	_	118,890	_	118,890	· <u> </u>	90,263		28,627
Excess (Deficiency) of Revenues Over Expenditures		26,110		26,110		62,002		35,892
Fund Balance - July 1	_	131,925	_	131,925		131,925		
Fund Balance - June 30	\$_	158,035	\$	158,035	\$	193,927	\$	35,892

POST, SMYTHE, LUTZ and ZIEL LLP

Certified Public Accountants

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August 29, 2006

Board of Trustees LaGrange Township Cass County, Michigan

Our audit of the financial statements of LaGrange Township for the year ended June 30, 2006 has been completed and was conducted in accordance with generally accepted auditing standards which require that we determine that existing internal controls, accounting procedures and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. The scope of our audit is not intended to be a detailed review of all systems and procedures; therefore, this report should not be considered all-inclusive.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,

POST, SMYTHE, LUTZ and ZIEL LLP Certified Public Accountants

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Property Tax Collection Fund

We had the following recommendations relative to tax collections:

- Improve Internal Control Currently, the Treasurer makes all bank deposits, signs all checks (single signature), reconciles the bank, and initiates disbursements without the involvement of any other employee. We suggest that you consider adding a "lock box" for deposits (where mail deposits are directed to your bank through a P.O. Box), add the clerk as a counter signer to disbursements, and use the clerk or a bookkeeper to perform monthly bank reconciliations.
- Interest earned on property tax collection accounts P.A. 169 of 1988
 requires townships to share investment income earned in the property tax
 fund with other taxing authorities. We recommend that the interest earned in
 the property tax fund be shared with the other taxing agencies as required
 by law.